

# Simplifying Social Security

A guide for understanding your options and making the most of your benefits



Uncomplicate Retirement®

If you're like millions of Americans, you've spent your working years contributing to Social Security. As these years come to an end and you prepare to retire, you'll probably begin to think about how Social Security will fit into your income plan.

**There are a number of factors that should be taken into consideration when filing for Social Security – each of which play a critical role in the benefits you'll receive during your years in retirement.**






# Understanding Full Retirement Age

Your full retirement age is the age at which you qualify for 100% of your Social Security benefits and is based on your birth year.

## Find Your Full Retirement Age

 YEAR OF BIRTH*	FULL RETIREMENT AGE
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

\*If you were born on January 1st of any year you should refer to the previous year. If you were born on the 1st of the month, the Social Security Administration figures your benefit – and your full retirement age – as if your birthday was in the previous month.

Source: SocialSecurity.gov, “Retirement Benefits,” 2019.

# Deciding When To Collect

While you qualify for 100% of your Social Security benefits at your full retirement age, you have the option to start collecting benefits either before or after your full retirement age. There are pros and cons to all options.

## PROS

## CONS

### Before Full Retirement Age

You can start collecting Social Security as early as age 62. If you collect early, your benefits can be reduced by up to 30%, depending on your full retirement age.

You may collect benefits for a longer period of time, depending on longevity.

You will collect a lesser benefit than what you would have been eligible for at your full retirement age.

### At Full Retirement Age

You can start collecting Social Security at your full retirement age to receive 100% of your benefit.

You will collect full benefits.

You could collect a greater benefit by collecting after your full retirement age.

### After Full Retirement Age

You can start collecting Social Security after your full retirement age and receive benefits that are increased up to 8% annually by accumulating delayed retirement credits. These credits are available each year past your full retirement age up until age 70.

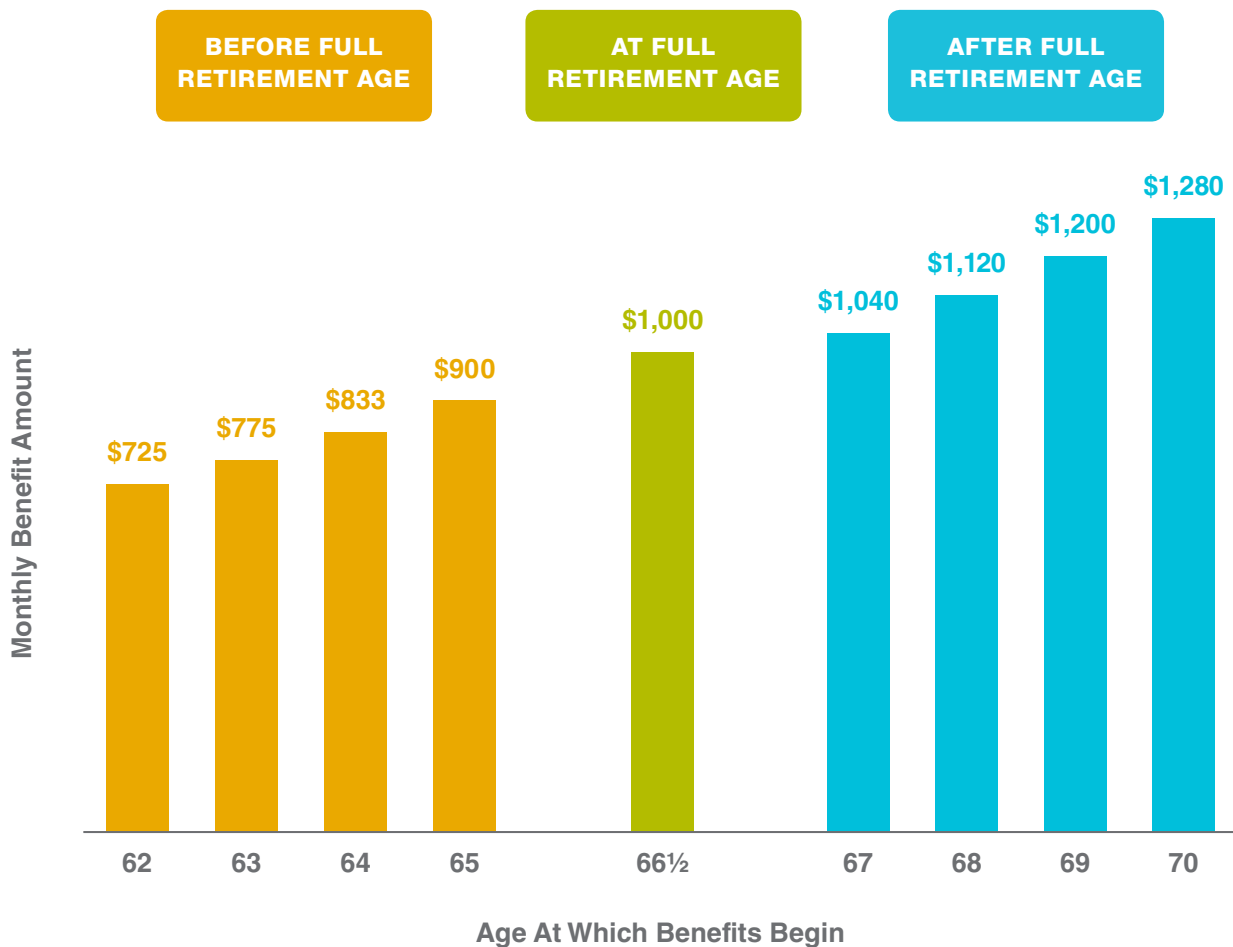
You will collect a greater benefit than what you were eligible for at your full retirement age.

You may collect benefits for a shorter period of time, depending on longevity.

Sources: <https://www.ssa.gov/planners/retire/agereduction.html>  
<https://www.ssa.gov/planners/retire/delayret.html>

## Hypothetical Example

The graph below illustrates how collecting Social Security before and after full retirement age can impact monthly benefits. It assumes a monthly benefit of \$1,000 at a full retirement age of 66½.



Source: SocialSecurity.gov, "When to Start Receiving Retirement Benefits," 2019.



MALE AVERAGE LIFE EXPECTANCY:

84

FEMALE AVERAGE LIFE EXPECTANCY:

86½

## Considering The Effects Of Longevity

With the average life expectancy being 84 for today's 65-year-old male and 86½ for today's 65-year-old female, longevity is among the most important considerations in deciding when to start collecting Social Security. The longer your life expectancy, the more advantageous it may be to delay collecting benefits.

Source: <https://www.ssa.gov/planners/lifeexpectancy.html>

## Hypothetical Example

The example below shows total Social Security benefits collected when beginning at certain ages and highlights when waiting to collect becomes more advantageous. It assumes a \$1,000 monthly benefit at a full retirement age of 66½.

Total Benefits Collected			
Age	Begin at 62 Reduced Monthly Benefit: \$725	Begin at 66½ Monthly Benefit: \$1,000	Begin at 70 Increased Monthly Benefit: \$1,280
62	\$8,700		
63	\$17,400		
64	\$26,100		
65	\$34,800		
66	\$43,500		
67	\$52,200	\$18,000	
68	\$60,900	\$30,000	
69	\$69,600	\$42,000	
70	\$78,300	\$54,000	\$15,360
71	\$87,000	\$66,000	\$30,720
72	\$95,700	\$78,000	\$46,080
73	\$104,400	\$90,000	\$61,440
74	\$113,100	\$102,000	\$76,800
75	\$121,800	\$114,000	\$92,160
76	\$130,500	\$126,000	\$107,520
77	\$139,200	\$138,000	\$122,880
78	\$147,900	\$150,000	\$138,240
79	\$156,600	\$162,000	\$153,600
80	\$165,300	\$174,000	\$168,960
81	\$174,000	\$186,000	\$184,320
82	\$182,700	\$198,000	\$199,680
83	\$191,400	\$210,000	\$215,040
84	\$200,100	\$222,000	\$230,400
85	\$208,800	\$234,000	\$245,760

Collecting at 66½ produces greater total benefits than collecting at age 62 if you live to age 78

Collecting at 70 produces greater total benefits than collecting at age 66½ if you live to age 82

Social Security benefits are adjusted to reflect any increase in the cost of living, measured by the Consumer Price Index, to ensure the purchasing power of Social Security benefits is not eroded by inflation. For simplicity, this example does not include any cost of living adjustments.

Source: SocialSecurity.gov, "Cost-of-Living Adjustment," 2017.





## Facing A Possible Income Gap In Retirement

Social Security was created to promote the economic security of America's workers. However, it's important to understand that Social Security will only replace a portion of your pre-retirement earnings, leaving you with a potential income gap.

The amount of income that Social Security will replace depends heavily on your career income. The table below shows how Social Security replaces a greater percentage of income for modest earners versus higher earners.

Earnings Scale	Career-average Earnings	Annual Social Security Benefit	Percent of Career-average Earnings Replaced
Lower earnings	\$23,308	\$12,348	53.3%
Medium earnings	\$51,795	\$20,355	39.6%
Higher earnings	\$82,872	\$26,971	32.8%
Maximum earnings	\$127,061	\$32,875	26%

Table assumes current-law scheduled benefits, and that hypothetical retirees turn 65 in 2020 and begin collecting benefits at age 65. For simplicity, example does not include tax adjustments.

Source: SocialSecurity.gov, "Replacement Rates For Hypothetical Retired Workers," April 2019.



# Adding An Annuity To Fill The Income Gap

As you consider these various factors, you may find yourself wondering if your sources of income will last the rest of your life. If this is the case, an annuity may be an appropriate addition to your lineup of income vehicles. An annuity is a contract between you and an insurance company and is designed to protect and grow your money before providing a **guaranteed stream of lifetime income**. Here's an example of how an annuity could be incorporated into your retirement income plan:

## Retirement Income Sources



By adding an annuity to your retirement income plan, you could increase your amount of guaranteed income — helping to ensure you don't run out of money in retirement.

There are many different types of annuities to fit your unique goals for retirement. Some key benefits include:

- Principal protection to help keep your assets safe
- Growth potential to help you accumulate assets
- Tax-deferral for faster accumulation than taxable products
- Guaranteed lifetime income to help ensure peace of mind

Great American specializes in offering annuities that are easier to understand, helping you to achieve your goals with no surprises. Talk with your financial professional about how an annuity could fit into your retirement income plan.



# Great American. It Pays To Keep Things Simple.®

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A.M. Best rating affirmed September 11, 2019. "A" (Excellent) is third highest of 16 categories. S&P rating affirmed March 14, 2019. "A+" is fifth highest of 21 categories.



Photo submitted by William from Washington, Great American customer since 2014.



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